

Japanese Carbon and Alloy Flat Products Exclusion Request

Product Category: Hot-Rolled Products (#3)

(a)	Product Designation/HTS	<u>Hot-Rolled Bearing Quality Steel</u> 7225.30.7000, 7208.25, 7208.26, 7208.27, 7225.30.7000
(b)	Product Description	Hot-rolled bearing quality steel, SAE grade 1050, in coils, with an inclusion rating of 1.0 maximum per ASTM E 45, Method A, with excellent surface quality and chemistry restrictions as follows: 0.012 percent maximum phosphorus, 0.015 percent maximum sulfur, and 0.20 percent maximum residuals including 0.15 percent maximum chromium.
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutable Products	See Attachment C

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During the Commerce Department's recent antidumping investigation of certain hot-rolled steel products, the domestic industry requested that hot-rolled bearing quality steel be excluded from the scope of the investigation. According to the Department's scope memorandum in that case, "{t}his steel product meets very specific chemical, physical, and mechanical specifications:"

Hot-rolled bearing quality steel, SAE grade 1050, in coils, with an inclusion rating of 1.0 maximum per ASTM E 45, Method A, with excellent surface quality and chemistry restrictions as follows: 0.012 percent maximum phosphorus, 0.015 percent maximum sulfur, and 0.20 percent maximum residuals including 0.15 percent maximum chromium.¹

¹ U.S. Department of Commerce Memorandum, "Antidumping and Countervailing Duty Investigations of Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil, Japan, and the Russian Federation: Scope Amendments" at 6 (Feb. 12, 1999); *see also Notice of Final Determination of Sales at Less Than Fair Value: Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Japan*, 64 Fed. Reg. 24329, 24331 (May 6, 1999).

By requesting the product exclusion, the domestic industry implicitly admitted imports of hot-rolled bearing quality steel are not injurious. If the domestic industry had the ability to produce this product and was interested in servicing this part of the U.S. hot-rolled steel market, then we should assume that they would have welcomed relief from imports. Rather, the U.S. hot-rolled steel industry conceded that this product – like other specialty products – does not warrant trade restrictions. Nothing has changed since then.

U.S. customers buy this hot-rolled bearing quality steel from Japan to manufacture fasteners. They prefer to use the Japanese steel because it is the highest quality and operates most efficiently on its manufacturing line. Because of the inconsistency of the domestic product, adjustments must frequently be made to their machinery and furnaces. This causes a slow-down in the process and prevents the companies from manufacturing at full capacity. Such adjustments can decrease productivity of these U.S. companies by two to three percent for each adjustment. Also, the inconsistencies in the domestic steel can cause it not to draw properly and the material might tear--creating waste. The U.S. product simply is not in the same category as the Japanese bearing quality hot-rolled steel, as evidenced by the domestic industry's agreement to exclude it from the antidumping case.

Finally, imports of bearing quality hot-rolled steel is typically more expensive than U.S. hot rolled steel. As shown in **Attachment B**, the unit price for hot-rolled bearing quality steel from Japan ranged from [] during the period of investigation. Compare these prices to pricing data collected by the Commission for the selected pricing products which are intended to be representative of U.S. prices of cold-rolled steel products in general.² This attachment demonstrates the significant overselling of these specialty products imported from Japan. These high priced imports have no detrimental effect on the domestic industry and warrant exclusion from any remedy recommendation. Therefore, we urge the USTR to exclude bearing quality hot-rolled steel from any 201 remedy.

² See ITC's Staff Report at Tables FLAT-68, FLAT-69 (public version).

Attachment A

Foreign Producers

(1) Sumitomo Metal Industries, Ltd.

- Address: Triton Square Office Tower Y, 8-11, Harumi 1-chome, Chuo-ku, Tokyo 104-61111, Japan
- Phone: 011-81-3-4416-6148
- Fax: 011-81-3-4416-6788

(2) Kobe Steel, Ltd.

- Address: 9-12, Kita-Shinagawa 5-chome, Shinagawa-ku, Tokyo 141-8688, Japan
- Phone: 011-81-3-5739-6152
- Fax: 011-81-3-5739-6923

Domestic Producers

- WCI Steel (Warren, OH)
- Acme Steel (Riverdale, IL)

HOT-ROLLED**Hot-rolled Bearing Quality Steel**

Quantity						January - June		Projections				
Company	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[	8,461	24,751	18,479	13,229	1,729	3,890	1,602	2,123	2,051	2,195	2,051	2,195
	3,359	7,816	8,676	0	1,150	0	0	1,758	2,148	2,539	2,539	2,539
Total	11,820	32,567	27,155	13,229	2,880	3,890	1,602	3,881	4,199	4,734	4,590	4,734]
Value *						January - June		Projections				
Company	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[	3,606,167	9,642,697	6,822,328	4,963,750	2,143,554	1,798,905	675,668	743,147	822,757	822,757	822,757	768,537
	1,716,757	3,749,230	4,166,213	234,638	546,228	333,977	225,190	841,777	1,029,273	1,215,792	1,215,792	1,215,792
Total	5,322,924	13,391,927	10,988,541	5,198,388	2,689,782	2,132,882	900,858	1,584,924	1,852,030	2,038,549	2,038,549	1,984,329]
[Unit Price	0	0	0	0	0	0	0]				
U.S. Production	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Imports from Other	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Countries	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Total U.S.	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown
Consumption	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown	unknown

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None